

D.P.U. 91-234-C

Petition of Commonwealth Electric Company and Cambridge Electric Light Company, pursuant to M.G.L. c. 164, §§ 69I, 76, 94, and 220 C.M.R. §§ 10.00 et seq., for review of the procedures by which additional energy resources are planned, solicited, and procured by Commonwealth Electric Company and Cambridge Electric Light Company.

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## I. INTRODUCTION

On April 1, 1994, the Commonwealth Electric Company ("Commonwealth") and Cambridge Electric Light Company ("Cambridge") (together, "Companies") submitted their integrated resource management ("IRM") Phase III filing to the Department of Public Utilities ("Department") for review.<sup>1</sup> On May 31, 1994, the Department issued its Order in review of the Companies' Phase III filing.<sup>2</sup> See Commonwealth Electric Company and Cambridge Electric Light Company, D.P.U. 91-234-B (1994). On June 3, 1994, the Companies submitted their Phase IV filing to the Department for review, and on June 21, 1994, submitted a supplement to their Phase IV filing. On June 29, 1994, the Companies submitted additional contracts with project developers for Department review.

## II. PHASE IV REVIEW

Pursuant to 220 C.M.R. § 10.06(1), the Department, in Phase IV, will review all electric company resource proposals that are part of the approved resource plan (i.e., the Super Efficient Refrigerator program ("SERP") and the Companies' new construction programs). In addition, pursuant to 220 C.M.R. § 10.06(3), the Department will review final contracts reached between the Companies and award group project developers, and shall approve or disapprove the contracts.

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<sup>1</sup> On April 7, 1994, the Department advised the Companies that they would need to supplement their Phase III filing with the identification of an award group. On May 5, 1994, the Companies submitted a supplemental Phase III filing, which included a proposed award group.

<sup>2</sup> On June 3, 1994, the Companies, pursuant to D.P.U. 91-234-B, submitted a compliance filing, and on June 16, 1994, the Department approved the Companies' compliance filing.

A. Super Efficient Refrigerator Program

In their Phase III filing, the Companies requested that the Department allow them to include the continued implementation of the SERP (Exh. C-III-1, at 14). The Companies asserted that SERP is extremely cost-effective, with a benefit/cost ratio of approximately 3.0, and that the Department has strongly supported the participation in SERP by other Massachusetts electric companies (id. at 14). The Companies also noted that participation in SERP is available only to electric companies, and therefore, if the Companies do not implement the program their customers would lose the opportunity to participate (id.).

The Companies stated that they would ensure that participation in SERP would not cause them to increase conservation charges above the levels that were determined to be acceptable by the Department in D.P.U. 91-234-A (id.). Specifically, the Companies would fund SERP expenditures only with "available funds" for 1994, 1995 and 1996 that are not paid to demand-side management ("DSM") request for proposals ("RFP") award group developers, and would extend payments to subsequent years if necessary (id.).

The Department has recognized that the SERP program is important because (1) it targets a significant lost opportunity in the residential customer sector; (2) it is nationally recognized as a major factor in changing the appliance efficiencies in the refrigerator marketplace; (3) it is available only to electric companies; and (4) it offers significant cost-effectiveness benefits to ratepayers. D.P.U. 91-234-B at 36. Because the Companies would fund SERP expenditures with the "available funds" for 1994, 1995 and 1996 that are not paid to DSM RFP award group developers, the Department found that implementation of the program would not subject competitively procured DSM programs to reduced funding.

Accordingly, in Phase III, the Department approved the inclusion of SERP in the Companies' resource plan subject to review in Phase IV. Id.

In Phase IV, the IRM regulations provide that, after Department approval of the resource plan, all electric company resources that are subject to preapproval shall be reviewed by the Department pursuant to 220 C.M.R. §§ 9.00 et seq. See D.P.U. 86-36-G (1989). The Department has reviewed the Companies' proposal regarding participation in SERP and finds it to be consistent with the requirements of 220 C.M.R. §§ 9.00 et seq and similar to the SERP programs that have been accepted by the Department in other proceedings. Massachusetts Electric Company, D.P.U. 92-217-A at 5 (1993); Western Massachusetts Electric Company, D.P.U. 92-88-A at 11 (1994). Therefore, the Department preapproves the SERP program.

B. Continuation of Existing DSM Programs

The Companies currently are implementing two residential programs (Residential Hot Water/General Use ("HWGU"), Residential Electric Space Heat ("RESH")) that were preapproved in D.P.U. 91-80, Phase II-A (Exh. C-III-1, at 13). In their Phase III filing, the Companies proposed to continue these existing DSM programs until the DSM RFP award group bidders begin project implementation (id.). The Companies indicated that implementation of these residential DSM programs is anticipated to continue approximately through the third quarter of 1994 (id.). The Department found that the Companies' proposal would provide continuity of service to their residential ratepayers, and therefore approved their proposal. D.P.U. 91-234-B at 37.

In their Phase IV filing, the Companies requested to continue implementation of the

RESH program through September 30, 1994, but to discontinue implementation of the HWGU program on June 30, 1994 (June 21, 1994 Supplement to Phase IV Filing at 3-5). In support of their request, the Companies contended that the proposed extension of the RESH program would address important customer satisfaction concerns and provide customers in this market sector with an opportunity to participate in a conservation program during the transition to DSM programs procured through the IRM process (id.).<sup>3</sup> The Companies stated that the expenditures for the extension of these programs would not cause the conservation charges to exceed maximum levels approved in D.P.U. 91-234-B (id.).

The Department finds that the Companies' proposal resolves important transitional issues by providing continuity of services to the Companies' residential customers. The Department also notes that the RESH program has been previously approved by the Department pursuant to 220 C.M.R. §§ 9.00 et seq. Therefore, the Department approves the Companies' request to continue implementation of the RESH program, and to effectively manage the transition to residential programs to be implemented by members of the award group.

#### C. Phase III Award Group Programs

The Department approved an award group that, for Commonwealth, included retrofit programs by Citizens Conservation Corporation ("Citizens") and Conservation Services Group ("CSG") in the residential non-heat sector; Syracuse Energy Services Company, Inc.

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<sup>3</sup> The Companies stated that, for non-electric heat customers, the Energy Conservation Services (ECS) program would provide continuity of DSM services; therefore, implementation of the HWGU program beyond June 30, 1994 was unnecessary (id.).



("SYRESCO") and CSG in the residential heat sector; Northeast Energy Services, Inc. ("NORESCO") and DMC Services, Inc. in the small general-use sector; and NORESCO, Achushnet Company, Titleist & Foot-Joy, Aerovox, Inc., EUA Cogenex Corporation, and HEC, Inc. in the medium/large general-use sector. In addition, the award group included new construction programs offered by Commonwealth in all sectors.

For Cambridge, the Department approved an award group that included retrofit programs by Citizens and SESCO, Inc. in the residential non-heat sector; Citizens and SESCO, Inc. in the residential heat sector; DMC Services, Inc. in the small general-use sector; and NORESCO, Esplanade Condominiums, EUA Cogenex Corporation, Proven Alternatives, Inc., Kenetech Energy Management, Inc., and HEC, Inc. in the medium/large general-use sector. In addition, the award group included new construction programs offered by Cambridge in all sectors.

The IRM regulations provide that an electric company shall negotiate contracts with project developers, and that final contracts shall be filed with the Department for approval during Phase IV. 220 C.M.R. § 10.06(2). The IRM regulations further provide that an electric company and project developers may agree to the terms and conditions of the long-run standard contract approved by the Department, and that the electric company shall indicate how the final contract varies from the long-run standard contract. Id. The IRM regulations require the Department to review final contracts between an electric company and project developers to determine whether they comply with the IRM regulations, and are in the public interest. Id.

On June 3, 1994, the Companies submitted DSM energy savings agreements between

Cambridge and EUA Cogenex Corporation; Commonwealth and EUA Cogenex Corporation, Commonwealth and Acushnet Company, Rubber Division; and Cambridge and HEC, Inc. On June 21, 1994, the Companies submitted DSM energy savings agreements between Commonwealth and DMC Services, Inc.; and Cambridge and DMC Services, Inc.<sup>4</sup> With the final contracts, the companies submitted summaries of how the individual contracts differ from the long-run standard contract.

The Department finds that the energy savings agreements between Cambridge and EUA Cogenex Corporation; Commonwealth and EUA Cogenex Corporation, Commonwealth and Acushnet Company; Cambridge and HEC, Inc.; Commonwealth and DMC Services, Inc.; and Cambridge and DMC Services, Inc. are consistent with the IRM regulations and are in the public interest.<sup>5</sup> Accordingly, the Department approves these contracts.

In Phase IV, the IRM regulations provide that after Department approval of the resource plan, all electric company resources that are subject to preapproval shall be reviewed by the Department, pursuant to 220 C.M.R. §§ 9.00 et seq. See D.P.U. 86-36-G (1989). The Department notes that there were no competing proposals submitted to provide

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<sup>4</sup> On June 29, 1994, the Companies submitted energy savings agreements between Commonwealth and NORESKO (for identified services); Commonwealth and NORESKO (for prototype services); Commonwealth and NORESKO (small general-use); Cambridge and NORESKO (medium large); and Commonwealth and Titleist & Foot-Joy.

<sup>5</sup> Because of their late filing, review of the energy savings agreements between Commonwealth and NORESKO (for identified services); Commonwealth and NORESKO (for prototype services); Commonwealth and NORESKO (small general-use); Cambridge and NORESKO (medium large); and Commonwealth and Titleist & Foot-Joy will be conducted separately.

DSM services in the new construction market sectors. Accordingly, before preapproval, the Department will review the Companies' new construction programs pursuant to 220 C.M.R. §§ 9.00 et seq., and will determine whether program designs and budgets are consistent with the public interest.

V. ORDER

After due consideration, it is

ORDERED: That the Super Efficient Refrigerator Program for Cambridge Electric Light Company and Commonwealth Electric Company is approved; and it is

FURTHER ORDERED: That the energy savings agreements between Cambridge Electric Light Company and EUA Cogenex Corporation; Cambridge Electric Light Company and HEC, Inc.; and Cambridge Electric Light Company and DMC Services, Inc. are approved; and it is

FURTHER ORDERED: That the energy savings agreements between Commonwealth Electric Company and EUA Cogenex Corporation, Commonwealth Electric Company and Acushnet Company; Commonwealth Electric Company and DMC Services, Inc. are approved; and it is

FURTHER ORDERED: That Cambridge Electric Light Company and  
Commonwealth Electric Company shall comply with all directives contained herein.

By Order of the Department,

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Kenneth Gordon, Chairman

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Barbara Kates-Garnick, Commissioner

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Mary Clark Webster, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).